Lame to be been by the way were

1800 Glenarm Place

Suite 210

Denver, CO 80202 Tel: 505,294,0427

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DEC 1 1 2001

DIVISION OF OIL, CAS AND BALLIO

**NOVEMBER 6, 2001** 

MR LOWELL P BRAXTON, DIRECTOR MS MARY ANN WRIGHT, ASSOCIATE DIRECTOR UTAH DIVISION OF OIL, GAS AND MINING 1594 WEST NORTH TEMPLE SALT LAKE CITY, UTAH BY FAX TO 801-359-3940

DEAR MR BRAXTON AND MS WRIGHT:

WELLS FARGO BANK (FORMERLY FIRST SECURITY BANK) IN PAYSON, UTAH (THE BANK) IS CURRENTLY HOLDING A CERTIFICATE OF DEPOSIT ####### (THE CD) FOR THE BENEFIT OF THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING (DOGM) AS A FORM OF RECLAMATION SURETY BOND FOR NORTH LILY MINING COMPANY'S TINTIC PROJECT M/023/007 (NEAR SILVER CITY) IN JUAB COUNTY, UTAH (THE PROJECT).

BY LETTER DATED JUNE 12, 2001, DOGM AUTHORIZED THE BANK TO MAKE A PARTIAL RELEASE FROM THE CD TO NORTH LILY FOR COMPLETION OF PROJECT RECLAMATION WORK, AND INSTRUCTED THAT THE BALANCE OF FUNDS RETAINED IN THE CD SHOULD BE AT LEAST \$32,500.

THIS IS TO ADVISE DOGM AND THE BANK THAT NORTH LILY MINING HAS ENTERED INTO AN ARRANGEMENT WITH JBR ENVIRONMENTAL CONSULTANTS INC, PROVIDING FOR JBR TO COMPLETE THE REMAINING ANTICIPATED RECLAMATION (REVEGITATION RELATED WORK DUE THIS MONTH) AND THE MONITORING WORK (INCLUDING MONITORING UNDER AMENDED GROUND WATER DISCHARGE PERMIT UGW230001) AT THE PROJECT, AND TO RECEIVE THE PROCEEDS OF THE CD AS SOON AS APPROVED FOR RELEASE BY DOGM.

THIS THEREFORE IS TO NOTIFY, AUTHORIZE, AND REQUEST DOGM, THAT WHEN DOGM AUTHORIZES THE BANK TO RELEASE FUNDS FROM THE CD DUE TO SATISFACTORY COMPLETION OF PROJECT WORK, THAT THE BANK BE INSTRUCTED TO DIRECT SUCH RELEASE OF FUNDS TO THE ORDER OF

JBR ENVIRONMENTAL CONSULTANTS INC, PER MORE SPECIFIC INSTRUCTIONS FROM ROBERT J. BAYER, VICE PRESIDENT, 8160 SOUTH HIGHLAND DRIVE, SANDY, UTAH 84093 (PHONE 801-943-4144 AND FAX 801-942-1852).

HOWEVER, BECAUSE NORTH LILY IS CURRENTLY IN CHAPTER 11 REORGANIZATION IN U.S BANKRUPTCY COURT CASE NO 01-23068-EEB IN DENVER, COLORADO, THE ABOVE AUTHORIZATION AND REQUEST WILL NOT BE FORMALLY EFFECTIVE UNTIL WE DELIVER TO YOU THE APPROVAL OF THE COURT, WHICH WE EXPECT IN THE NEXT FEW WEEKS. WE WILL CONTACT YOU WITH THE EXPECTED COURT APPROVAL IMMEDIATELY UPON ITS RECEIPT, AT WHICH TIME WE WILL FORMALLY REITERATE THE ABOVE AUTHORIZATION FOR YOUR CONVENIENCE.

IT IS UNDERSTOOD THAT OUR ARRANGEMENT WITH JBR, AND DOGM'S COOPERATION WITH THIS AUTHORIZATION AND REQUEST, DOES NOT ALTER NORTH LILY'S LEGAL RESPONSIBILITY TO THE STATE FOR THE PROJECT, AND DOES NOT CONTEMPLATE PERFORMANCE BY JBR OF PROJECT ACTIVITIES NOT CURRENTLY CONTEMPLATED OR DESCRIBED IN THE RECLAMATION BOND ESTIMATES OR IN THE GROUND WATER DISCHARGE PERMIT MONITORING REQUIREMENTS.

THANK YOU AS ALWAYS FOR YOUR COOPERATION.

SINCERELY.

NORTH LILY MINING COMPANY

S. E. FLECHNER, PRESIDENT

W. GENE WEBB, EXECUTIVE VICE PRESIDENT

CC: ROBERT J. BAYER, VICE PRESIDENT
JBR ENVIRONMENTAL CONSULTANTS INC

DECEIVE DEC 1 1 2001 DIV. OF OIL, GAS & MINING 1800 Glenarm Place Denver, CO 80202 Tel: 305.294.0427

Fax: 505.295.2255

Suite 210

**NOVEMBER 6, 2001** 

MS. ANN NORMAN
BRANCH MANAGER
WELLS FARGO BANK
(FORMERLY FIRST SECURITY BANK)
95 NORTH MAIN
PAYSON, UTAH 84651
FAX 801-465-4305 PHONE 801-465-1338

## **DEAR MS NORMAN:**

BY LETTER DATED JUNE 12, 2001, THE DIRECTOR OF DOGM AUTHORIZED YOU TO MAKE A PARTIAL RELEASE FROM THE CD TO NORTH LILY FOR COMPLETION OF RECLAMATION WORK, AND INSTRUCTED THAT THE BALANCE OF FUNDS RETAINED IN THE CD SHOULD BE AT LEAST \$32,500.

THIS IS TO FORMALLY ADVISE THE BANK AND DOGM THAT NORTH LILY MINING HAS ENTERED INTO AN ARRANGEMENT WITH JBR ENVIRONMENTAL CONSULTANTS INC, PROVIDING FOR JBR TO COMPLETE NORTH LILY'S CURRENTLY ANTICIPATED (REVEGITATION AND MONITORING) OBLIGATIONS AT THE PROJECT AND TO RECEIVE THE PROCEEDS OF THE CD AS SOON AS APPROVED FOR RELEASE BY DOGM.

THIS THEREFORE IS TO NOTIFY THE BANK, THAT WHENEVER THE BANK RECEIVES AUTHORIZATION FROM DOGM TO RELEASE FUNDS FROM THE

CD, THAT THE BANK IS HEREBY DULY AUTHORIZED AND INSTRUCTED BY NORTH LILY MINING COMPANY TO DIRECT SUCH RELEASE OF FUNDS TO THE ORDER OF: JBR ENVIRONMENTAL CONSULTANTS, INC, ATTENTION ROBERT J. BAYER, VICE PRESIDENT, 8160 SOUTH HIGHLAND DRIVE, SANDY, UTAH 84093 (PHONE 801-943-4144AND FAX 801-942-1852).

HOWEVER, BECAUSE NORTH LILY IS CURRENTLY IN CHAPTER 11 REORGANIZATION IN U.S BANKRUPTCY COURT CASE NO 01-23068-EEB IN DENVER, COLORADO, THE ABOVE AUTHORIZATION AND INSTRUCTION WILL NOT BE FORMALLY EFFECTIVE UNTIL WE DELIVER TO YOU THE APPROVAL OF THE COURT, WHICH WE EXPECT IN THE NEXT FEW WEEKS. WE WILL CONTACT YOU WITH THE EXPECTED COURT APPROVAL IMMEDIATELY UPON ITS RECEIPT, AT WHICH TIME WE WILL FORMALLY REITERATE THE ABOVE INSTRUCTIONS FOR YOUR CONVENIENCE.

THANK YOU AS ALWAYS FOR YOUR COOPERATION.

SINCERELY,

NORTH LILY MINING COMPANY

. E. FLECHNER, PRESIDENT

W. GENE WEBB, EXECUTIVE VICE PRESIDENT

CC: LOWELL P. BRAXTON, DIRECTOR
MARY ANN WRIGHT, ASSOCIATE DIRECTOR
UTAH DIVISON OF OIL, GAS AND MINING

ROBERT J. BAYER, VICE PRESIDENT JBR ENVIRONMENTAL CONSULTANTS INC